

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Hamilton Township	County Gratiot
Fiscal Year End 3/31/06	Opinion Date 7/14/06	Date Audit Report Submitted to State 9/27/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

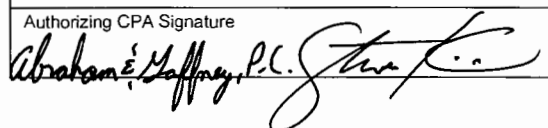
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☒ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C.		Telephone Number (517) 351-6836	
Street Address 3511 Coolidge Road, Suite 100		City East Lansing	State MI
		Zip 48823	
Authorizing CPA Signature 		Printed Name Steven R. Kirinovic	License Number 1101022020

**Township of Hamilton
Gratiot County, Michigan**

FINANCIAL STATEMENTS

March 31, 2006

Township of Hamilton
Gratiot County, Michigan
March 31, 2006
BOARD OF TRUSTEES

Phillip Hanus	Supervisor
Marguerite Bradley	Clerk
Daniel O' Boyle	Treasurer
Cathy Miller-Ackels	Trustee
Mark Carstenson	Trustee

Township of Hamilton

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Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

3511 Coolidge Road
Suite 100
East Lansing, MI 48823
(517) 351-6836
FAX: (517) 351-6837

INDEPENDENT AUDITOR'S REPORT

Members of the Township Board
Township of Hamilton
Ashley, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Township of Hamilton, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Hamilton's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Township of Hamilton as of March 31, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison information, as identified in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Township has not presented a management's discussion and analysis (MD&A), which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that the MD&A is necessary to supplement, although not required to be part of the basic financial statements.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

July 14, 2006



BASIC FINANCIAL STATEMENTS

Township of Hamilton
STATEMENT OF NET ASSETS
March 31, 2006

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash	\$ 125,659
Due from other governmental units-local	<u>11,079</u>
Total current assets	136,738
Noncurrent assets	
Capital assets, not being depreciated	39,000
Capital assets, net of accumulated depreciation	<u>5,650</u>
Total noncurrent assets	<u>44,650</u>
TOTAL ASSETS	181,388
LIABILITIES	
Current	
Accounts payable	429
NET ASSETS	
Invested in capital assets	44,650
Unrestricted	<u>136,309</u>
TOTAL NET ASSETS	<u><u>\$ 180,959</u></u>

See accompanying notes to financial statements.

Township of Hamilton
STATEMENT OF ACTIVITIES
Year Ended March 31, 2006

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Capital Grants and Contributions	
Governmental activities				
General government	\$ 27,108	\$ 1,610	\$ 4,800	(20,698)
Public safety	9,620	-	-	(9,620)
Public works	31,863	-	-	(31,863)
Other	10,132	-	-	(10,132)
Total governmental activities	<u>\$ 78,723</u>	<u>\$ 1,610</u>	<u>\$ 4,800</u>	<u>(72,313)</u>
General revenues:				
Property taxes				37,733
State shared revenue				40,259
Investment earnings				426
Miscellaneous				<u>53</u>
Total general revenues				<u>78,471</u>
Change in net assets				6,158
Net assets, beginning of the year				<u>174,801</u>
Net assets, end of the year				<u>\$ 180,959</u>

See accompanying notes to financial statements.

Township of Hamilton

GOVERNMENTAL FUNDS BALANCE SHEET

March 31, 2006

	General	Fire Fund	Bridge Fund	Total Governmental Funds
ASSETS				
Cash	\$ 76,663	\$ 7,010	\$ 41,986	\$ 125,659
Due from other governmental units-local	<u>3,614</u>	<u>2,390</u>	<u>5,075</u>	<u>11,079</u>
TOTAL ASSETS	<u><u>\$ 80,277</u></u>	<u><u>\$ 9,400</u></u>	<u><u>\$ 47,061</u></u>	<u><u>\$ 136,738</u></u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 429	\$ -	\$ -	\$ 429
FUND BALANCES				
Unreserved				
Undesignated	<u>79,848</u>	<u>9,400</u>	<u>47,061</u>	<u>136,309</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 80,277</u></u>	<u><u>\$ 9,400</u></u>	<u><u>\$ 47,061</u></u>	<u><u>\$ 136,738</u></u>

See accompanying notes to financial statements.

Township of Hamilton

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

March 31, 2006

Total fund balance - governmental funds \$ 136,309

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 80,300	
Accumulated depreciation is	<u>(35,650)</u>	
Capital assets, net		<u>44,650</u>
Net assets of governmental activities		<u><u>\$ 180,959</u></u>

See accompanying notes to financial statements.

Township of Hamilton

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended March 31, 2006

	General	Fire Fund	Bridge Fund	Total Governmental Funds
REVENUES				
Taxes	\$ 14,319	\$ 7,499	\$ 15,915	\$ 37,733
Intergovernmental	40,259	-	-	40,259
Charges for services	1,560	-	-	1,560
Interest and rents	177	23	276	476
Other	53	-	-	53
TOTAL REVENUES	56,368	7,522	16,191	80,081
EXPENDITURES				
Current				
General government	26,258	-	-	26,258
Public safety	-	9,620	-	9,620
Public works	2,324	-	29,539	31,863
Other	10,132	-	-	10,132
TOTAL EXPENDITURES	38,714	9,620	29,539	77,873
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	17,654	(2,098)	(13,348)	2,208
Fund balances, beginning of year	62,194	11,498	60,409	134,101
Fund balances, end of year	<u>\$ 79,848</u>	<u>\$ 9,400</u>	<u>\$ 47,061</u>	<u>\$ 136,309</u>

See accompanying notes to financial statements.

Township of Hamilton

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended March 31, 2006

Net change in fund balances - total governmental funds	\$	2,208
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Amounts reported for governmental activities in the statement of activities are different because:

In the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, this amount is:

Depreciation expense	(850)
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Some items reported in the statement of activities are not available to finance expenditures of the fiscal period and therefore are not reported as revenues in the governmental funds.

Capital contribution	<u>4,800</u>
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Change in net assets of governmental activities	\$	<u>6,158</u>
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See accompanying notes to financial statements.

Township of Hamilton

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Hamilton Township, Michigan was organized as a Township under provisions of the constitution and general law of the State of Michigan. The Township is one of sixteen (16) townships in Gratiot County. The Township operates under an elected Township Board which consists of a Supervisor, Clerk, Treasurer, and two trustees and provides services in many areas including fire protection, roads, and planning.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present all financial activities of the Township of Hamilton. The Township has no activities that would be classified as component units.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the financial statements of the Township of Hamilton contain all the funds and account groups controlled by the Township Board.

2. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the Township as a whole.

The statement of activities presents the direct functional expenses of the Township and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients for goods or services that are restricted to meeting the operational requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes interest, and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the Township's major funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

The major funds of the Township are:

- a. General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. Fire Fund - The Fire Fund is used to account for all financial resources related to providing fire protection to Township residents.
- c. Bridge Fund - The Bridge Fund is used to account for all financial resources related to maintenance of bridges.

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Measurement Focus

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

4. Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The government-wide financial statements are prepared using the accrual basis of accounting.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are property taxes, special assessments, and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

5. Cash

Cash consists of checking and money market savings accounts.

6. Due From Other Governmental Units

Due from other governmental units consists of amounts due from local units of government for property taxes collected that are still owed to the Township.

7. Property Taxes

Hamilton Township bills and collects both its own property tax levy and the tax levy for other governmental units. The Township's property tax revenue recognition policy and related tax calendar disclosures are as follows:

The property taxes attach as an enforceable lien on property as of December 1. Taxes are levied December 1 and are payable through February 14. All property taxes not paid by February 14 are deemed delinquent. Delinquent real property taxes are turned over to the Gratiot County Treasurer on March 1. The Gratiot County Treasurer remits payment to all taxing units on all delinquent real property taxes. Delinquent personal property taxes are retained by the Township for subsequent collection. Property taxes are recognized as revenues in the period for which they are levied.

The Township is permitted to levy up to \$1 per \$1,000 of assessed valuation for general governmental service and additional amounts for debt service. For the year ended March 31, 2006, the Township levied 0.9919 and 2.1286 mills per \$1,000 of assessed valuation for general governmental services and road and bridges, respectively. The total taxable value for the 2005 levy for property within the Township was \$11,331,394.

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

9. Capital Assets

Capital assets include land, buildings and improvements, and equipment. Capital assets are stated at cost (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities. There is no capitalization policy threshold. All material purchases of assets with an estimated useful life of greater than one (1) year are capitalized. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Equipment	5 years
Building and improvements	30 years

10. Budgets and Budgetary Accounting

The General Fund budget shown in the financial statements was prepared on a basis not substantially different than the basis used to reflect actual results.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to April 1, the budget is legally adopted on a departmental (activity) level through passage of a Board resolution. After the budget is adopted, all transfers of budgeted amounts between activities or any revisions that alter the total expenditures of the fund or activity must be approved by the Township Board.
- b. Formal budgetary integration is employed as a management control device during the year.
- c. The Township does not employ encumbrance accounting as an extension of formal budgetary integration. Appropriations unused at March 31 are not carried forward to the following fiscal year.
- d. Budgeted amounts are reported as originally adopted or amended by the Township Board during the year. There were no amendments to the originally adopted budget.

11. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE B: CASH

In accordance with Michigan Compiled Laws, the Township of Hamilton is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE B: CASH - CONTINUED

2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or Federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities, issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits

There is a custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2006, the carrying amount of the Township's deposits was \$125,659 and the bank balance was \$111,939, which was fully covered by federal depository insurance.

Due to significantly higher cash flow at certain periods during the year, the amount the Township held as cash increased significantly. As a result, the amount of uninsured and uncollateralized cash was substantially higher at these peak periods than at year-end.

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of March 31, 2006, the Township did not have any investments that would be subject to rating.

Interest rate risk

The Township has not adopted a policy that addresses interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates.

Concentration of credit risk

The Township has not adopted a policy that addresses concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer.

Township of Hamilton
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

NOTE C: CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2006 was as follows:

	Balance <u>April 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>March 31, 2006</u>
Capital assets not being depreciated				
Land	\$ 39,000	\$ -	\$ -	\$ 39,000
Capital assets being depreciated				
Building	32,250	-	-	32,250
Equipment	<u>4,250</u>	<u>4,800</u>	<u>-</u>	<u>9,050</u>
Subtotal	36,500	4,800	-0-	41,300
Less accumulated depreciation for:				
Building	\$(32,250)	\$ -	\$ -	\$(32,250)
Equipment	<u>(2,550)</u>	<u>(850)</u>	<u>-</u>	<u>(3,400)</u>
Total accumulated depreciation	<u>(34,800)</u>	<u>(850)</u>	<u>-0-</u>	<u>(35,650)</u>
Net capital assets being depreciated	<u>1,700</u>	<u>3,950</u>	<u>-0-</u>	<u>5,650</u>
Total net capital assets	<u>\$ 40,700</u>	<u>\$ 3,950</u>	<u>\$ -0-</u>	<u>\$ 44,650</u>

Depreciation expense of \$850 was allocated to the general government function on the statement of activities.

NOTE D: RISK MANAGEMENT

The Township participates in a pool, the Michigan Township Participating Plan with other municipalities for property, auto, liability, wrongful acts, crime, and inland marine losses. The pool is organized under Public Act 138 of 1982, as amended. The Township has no liability for additional assessments based on the claims filed against the pool nor do they have rights to dividends.

The Township also participates in a pool, the Michigan Municipal Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. The Township has no liability for additional assessments based on the claims filed against the pool nor do they have any right to dividends.

NOTE E: RETIREMENT PLAN

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account and the returns earned on the investments of those contributions. The Hamilton Township Pension Plan is administered by The Manufacturers Life Insurance Company and eligibility criteria is set forth in the plan documents maintained by the Township.

The Township is required to contribute 7.5 percent of compensation paid for all eligible employees. For the year ended March 31, 2006, the Township had a total payroll of \$15,860. The Township of Hamilton Retirement Plan covered a payroll of \$15,140. Contributions to the pension plan by the Township for the year ended March 31, 2006, were \$1,136.

Township of Hamilton

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE F: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Section 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amount appropriated.

In the required supplementary information to the financial statements, the Township's budgeted expenditures in the General Fund have been shown at the functional classification level. The approved budgets of the Township have been adopted at the activity level.

During the year ended March 31, 2006, the Township incurred expenditures in the General Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
General government			
Supervisor	\$ 6,700	\$ 7,852	\$ 1,152

REQUIRED SUPPLEMENTARY INFORMATION

Township of Hamilton

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 10,800	\$ 10,800	\$ 14,319	\$ 3,519
Intergovernmental	30,900	30,900	40,259	9,359
Charges for services	1,000	1,000	1,560	560
Interest and rents	250	250	177	(73)
Other	100	100	53	(47)
TOTAL REVENUES	43,050	43,050	56,368	13,318
EXPENDITURES				
Current				
General government				
Township Board	2,800	2,800	2,520	280
Supervisor	6,700	6,700	7,852	(1,152)
Clerk	4,500	4,500	4,500	-0-
Board of review	750	750	632	118
Treasurer	4,500	4,500	4,500	-0-
Elections	900	900	-	900
Hall and grounds	3,225	3,225	2,321	904
Cemetery	4,440	4,440	3,933	507
Total general government	27,815	27,815	26,258	1,557
Public safety	1,500	1,500	-	1,500
Public works				
Road maintenance	27,350	27,350	2,324	25,026
Other				
Payroll taxes	350	350	142	208
Pension expense	2,000	2,000	1,405	595
Insurance and bonds	3,000	3,000	2,624	376
Other	26,217	26,217	5,961	20,256
Total other	31,567	31,567	10,132	21,435
TOTAL EXPENDITURES	88,232	88,232	38,714	48,018
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(45,182)	(45,182)	17,654	61,336
Fund balance, beginning of year	62,194	62,194	62,194	-0-
Fund balance, end of year	\$ 17,012	\$ 17,012	\$ 79,848	\$ 61,336

Township of Hamilton

Fire Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ -	\$ -	\$ 7,499	\$ 7,499
Interest	-	-	23	23
TOTAL REVENUES	-0-	-0-	7,522	7,522
EXPENDITURES				
Current				
Public safety	9,933	9,933	9,620	313
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(9,933)	(9,933)	(2,098)	7,835
Fund balance, beginning of year	11,498	11,498	11,498	-0-
Fund balance, end of year	\$ 1,565	\$ 1,565	\$ 9,400	\$ 7,835

Township of Hamilton

Bridge Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ -	\$ -	\$ 15,915	\$ 15,915
Interest	-	-	276	276
TOTAL REVENUES	-0-	-0-	16,191	16,191
EXPENDITURES				
Current				
Public works	57,088	57,088	29,539	27,549
EXCESS OF REVENUES (UNDER) EXPENDITURES	(57,088)	(57,088)	(13,348)	43,740
Fund balance, beginning of year	60,409	60,409	60,409	-0-
Fund balance, end of year	\$ 3,321	\$ 3,321	\$ 47,061	\$ 43,740

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

3511 Coolidge Road
Suite 100
East Lansing, MI 48823
(517) 351-6836
FAX: (517) 351-6837

MANAGEMENT LETTER

To the Board of Trustees
Hamilton Township
Ashley, Michigan

Ladies/Gentlemen:

As you know, we have recently completed our audit of Hamilton Township as of and for the year ended March 31, 2006. In connection with the audit, we feel that certain changes in your accounting and administrative procedures would be helpful in improving management's control and the operational efficiency of the accounting and administrative functions. These suggestions are a result of our evaluation of the internal control and our discussions with management.

1. The Board should implement a double entry accounting system.

The Board's accounting system currently does not utilize a "general ledger", which would provide a double entry accounting system to help assure reconciliation and provide expense detail by program area. This issue was noted and reported in our previous audit comments.

We suggest the Board implement a general ledger accounting system to better account for the Board's financial activity.

2. The Township should implement various written procedures and policies.

During discussions with management, we noted that the Township has not formally implemented written procedures and policies for several areas of operation. Specifically, we suggest the Township formally develop and implement written procedures and policies for the following:

- a. Capitalization policy - We suggest the Board of Trustees adopt a capitalization policy for fixed assets. The policy should specify criteria for capitalizing assets, including the per unit dollar value threshold for capitalizing assets.
- b. Accounting policies - We suggest the Board of Trustees adopt specific accounting policies. Accounting policies should document procedures for purchasing, procurement, accounts payable disbursements, billing, receipts, and payroll. We also suggest that the accounting policies address a formal process for adopting and amending the annual budget within this document.

We suggest the Township review their policies and adopt and/or update them to comply with the State of Michigan requirements.

3. The Board should require two (2) signatures on checks.

During the course of our audit, it was noted that the Board does not require two (2) signatures to be present on all checks. This issue was noted and reported in our previous audit comments.

The main concept of internal control is to assure that no one (1) individual handles all aspects of processing a transaction. The Board's current procedure would allow one (1) individual to process a transaction.

We suggest the Board assure that all disbursements have at least two (2) authorized signers to ensure efficiency in processing transactions and to strengthen the internal control systems.

4. The Board should amend the Township's investment policy to address the disclosure requirements of GASB Statement No. 40.

During the course of our audit and through discussions with administration, it was noted that the Township has not amended their investment policy to address various areas of risk as described by GASB Statement No. 40. Deposit and investment resources often represent significant assets of the Township's funds. These resources are necessary for the delivery of the Township's services programs. Effective for the year ended March 31, 2006, GASB Statement No. 40 is designed to inform financial statement users about deposit and investment risks that could affect the Township's ability to provide services and meet its obligations as they become due.

We suggest the Board review their current investment policy and make the necessary amendments to address custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk, if applicable. Such policies are required to be disclosed in the notes to the Township's financial statements by GASB Statement No. 40.

5. Budgets should be adopted for all funds and monitored and amended when necessary.

As noted in the annual financial statements, budgeted activities of the Township exceeded the amounts appropriated. The variance noted was in the General Fund. Also for the Special Revenue funds, there were no revenues budgeted in 2005/2006.

The Michigan Public Act 621 of 1978, as amended, provides that the Township shall adopt complete budgets for all applicable funds and shall not incur expenditures in excess of the amounts appropriated.

We suggest the Township adopt complete budgets for all applicable funds and monitor expenditures against the adopted budgets on a periodic basis, preferable monthly. Appropriate budget amendments should also be made as needed.

6. Bank reconciliations should be completed in a timely manner on a monthly basis.

During our analysis of the Township's general ledger cash balances, we noted that the Township did not reconcile any of its bank accounts for the entire fiscal year. This issue was noted and reported in our previous audit comments.

We suggest that bank reconciliations for all bank accounts be completed in a timely manner each month to ensure the accuracy of the general ledger system and to strengthen and improve internal controls.

7. The Board should review their controls for cash receipts and cash disbursements.

During our analysis and testing of procedures, it was noted that in some instances one individual had control of an entire accounting process or function (i.e., cash receipts process, cash disbursements process, bank reconciliation responsibility, etc.). The main concept of internal controls is to assure that no one (1) individual handles all aspects of processing a transaction. This issue was noted and reported in our previous audit comments.

We suggest the Township evaluate all accounting processes and put controls in place to segregate duties for each process to the extent possible. Segregating duties related to accounting processes will strengthen and improve the internal control of the Township.

8. Deposits should be made in a timely manner.

During the course of the audit, it was noted that deposits were not being made in a timely manner. Instances were noted where there were several months between the time funds were received and when the Treasurer actually deposited them at the bank. This issue was noted and repeated in our previous audit comments.

We suggest that all money received should be deposited with the bank in a timely manner. This will improve cash flows for the Township and help to strengthen internal controls over the cash receipt process to prevent misappropriation of assets.

9. The Board should review interim financial statements.

During the course of the audit, it was noted that the Board does not receive interim financial statements or budgetary comparison schedules for review throughout the year. Without this type of information it is extremely difficult for the Board to make informed financial decisions. This issue was noted and reported in our previous audit comments.

We suggest that the Board review interim financial statements and compare actual amounts to budgeted figures. This will improve the internal controls of the Township and will give the Board the ability to amend the budget during the fiscal year as necessary.

10. The Treasurer should maintain adequate property tax related information to reconcile taxes.

During the course of the audit, it was determined that the Treasurer did not maintain a formal ledger of tax activity and performed no formal reconciliations to assure all property taxes were collected and relied on the County Treasurer's office to assure property taxes were accurate. Overall, the tax records were in disarray and very difficult to audit.

We suggest the Treasurer maintain a formal ledger of all taxes collected and disbursed and reconcile this information independently to the Township's detailed tax records. The final step in this reconciliation process would then be to settle with the County Treasurer's office and deposit all funds owed to the Township in a timely fashion.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the financial statements and this report does not affect our report on the financial statements dated July 14, 2006.

This report is intended solely for the use of management and the Board of Trustees of the Township of Hamilton, Michigan and is not intended to be and should not be used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you and to provide assistance in the implementation of improvements.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

July 14, 2006